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Message Text

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73
ORIGIN TRSE-00

INFO OCT-01 SS-14 ISO-00 AF-04 EB-03 NSC-05 NSCE-00 INR-05

CIAE-00 SP-02 L-01 PRS-01 /036 R

DRAFTED BY TREASURY:BNEWMAN:TLEDDY
APPROVED BY AF/C:WLCUTLER
EB/OMA:GPBALABANIS
AF/EPS:RDUNCAN
TREASURY:IMF/US:SYCROSS (SUBS)
AF/C:APALMER
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P 252234Z MAR 75
FM SECSTATE WASHDC
TO AMEMBASSY KINSHASA PRIORITY

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LIMDIS

E.O. 11652: N/A

TAGS: CG, EFIN

SUBJECT: US POSITION ON IMF OIL FACILITY

REF: KINSHASA 2088

PASS TO TREASURY AND EXIMBANK

1. FOLLOWING IS RESULT OF CONSULTATION BETWEEN TREASURY AND STATE ON QUESTION RAISED REFTEL.

2. BEFORE A FUND MEMBER FORMALLY REQUESTS DRAWING FROM THE IMF OIL FACILITY (AND BEFORE REQUEST IS CONSIDERED BY THE EXECUTIVE BOARD) FUND MANAGEMENT AND STAFF REVIEW MEMBER'S ECONOMIC POSITION AND POLICIES TO DETERMINE WHETHER CRITERIA FOR OIL FACILITY DRAWINGS HAVE BEEN SATISFIED.
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THESE CRITERIA IN 1974 INCLUDED: 1) INCREASE IN MEMBER'S

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OIL IMPORT COSTS MUST BE GREATER THAN PROPOSED BORROWING;
2) DETERMINATION BY IMF THAT MEMBER HAS BALANCE OF PAYMENTS
NEED GREATER THAN AMOUNT OF PROPOSED BORROWING, TAKING INTO
ACCOUNT ITS ABILITY TO OBTAIN FINANCING FROM OTHER SOURCES;
3) MEMBER IS EXPECTED TO MAKE SOME USE OF RESERVES; AND
4) MEMBER'S POLICIES MUST CONFORM WITH JANUARY
1974 ROME COMMUNIQUE OF COMMITTEE OF TWENTY CONCERNING
AVOIDANCE OF TRADE MEASURES FOR BALANCE OF PAYMENTS
PURPOSES. THESE CRITERIA (WITH POSSIBLE EXCEPTION OR
MODIFICATION OF RESERVE USE REQUIREMENT)--WILL PROBABLY
CONTINUE TO APPLY IN 1975. IN ADDITION, CONDITIONALITY
ATTACHING TO OIL FACILITY DRAWINGS WILL PROBABLY BE
STRENGTHENED, IN THAT OIL FACILITY DRAWINGS WILL BE
SUBJECT TO ASSESSMENT BY THE FUND OF ADEQUACY OF A
BORROWING MEMBER'S POLICIES IN TERMS OF SOLUTIONS TO ITS
BALANCE OF PAYMENTS PROBLEMS IN MEDIUM-TERM.

3. IF THE STAFF DETERMINES THAT THESE CRITERIA HAVE NOT
BEEN MET, OR CONSIDERS THAT EXECUTIVE DIRECTORS WILL NOT
APPROVE PROPOSED DRAWING, MEMBER IS INFORMED THAT STAFF
WILL NOT RECOMMEND BOARD APPROVAL OF A REQUEST TO DRAW.
UNDER THESE CIRCUMSTANCES MEMBERS NORMALLY DO NOT INSIST
THAT FORMAL REQUEST BE TRANSMITTED TO EXECUTIVE DIRECTORS.
AS IS CASE WITH USE OF FUND'S REGULAR RESOURCES, THIS
PROCESS OF CONSIDERING PROPOSED DRAWINGS HAS FACILITATED
DEVELOPMENT OF A GENERAL CONSENSUS IN THE EXECUTIVE BOARD
ON VIRTUALLY ALL DRAWINGS THAT HAVE COME BEFORE IT, WITH
THE RESULT THAT FORMAL VOTES ON OIL FACILITY DRAWINGS
HAVE NOT BEEN TAKEN. IF A FORMAL VOTE ON AN OIL FACILITY
DRAWING WERE TO TAKE PLACE, A 50 PERCENT MAJORITY WOULD BE
REQUIRED FOR APPROVAL. THUS, USG, WITH 20.8 PERCENT OF
TOTAL IMF VOTES, COULD NOT BY ITSELF PREVENT DRAWING
FROM BEING APPROVED. WHILE WE HAVE ON OCCASION RAISED
QUESTIONS ABOUT PARTICULAR REQUESTS THAT WERE BROUGHT
TO THE BOARD FOR DECISION, WE HAVE NOT FORMALLY OPPOSED
ANY REQUEST FOR AN OIL FACILITY DRAWING.

4. IT IS OUR UNDERSTANDING THAT GOZ HAS RAISED WITH IMF
STAFF POSSIBILITY OF AN OIL FACILITY DRAWING. PRESUMABLY,
IMPOSITION OF SIGNIFICANT RESTRICTIONS BY ZAIRE IN
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JANUARY WOULD BE AN IMPORTANT QUESTION IN THE STAFF'S
CONSIDERATION OF A REQUEST FOR A DRAWING. WE STRONGLY
SUPPORTED PROSCRIPTIONS AGAINST RESTRICTIVE POLICIES IN
ROME COMMUNIQUE, AND ARGUED SUCCESSFULLY FOR INCLUSION
OF THESE PROVISIONS IN 1974 OIL FACILITY DECISION. A
SERIOUS BREECH OF THESE PROVISIONS WOULD GREATLY
UNDERMINE THEM AND WOULD MAKE IT DIFFICULT IF NOT
IMPOSSIBLE TO PREVENT DRAWINGS BY OTHER COUNTRIES IMPOSING

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SIGNIFICANT RESTRICTIONS. WE HAVE ALSO SUPPORTED STRONGLY THE INTRODUCTION OF GREATER POLICY CONDITIONALITY IN CONNECTION WITH OIL FACILITY DRAWINGS, AS IS BEING CONSIDERED FOR FACILITY IN 1975. THE FUND STAFF IS, OF COURSE, WELL AWARE OF THESE GENERAL U.S. POSITIONS. HOWEVER, USG HAS NOT SOUGHT TO INFLUENCE STAFF IN THE PREPARATION OF ITS RECOMMENDATIONS ON SPECIFIC PROPOSALS FOR DRAWINGS. KISSINGER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CRISIS, PETROLEUM INDUSTRY, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 MAR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE067569
Document Source: CORE
Document Unique ID: 00
Drafter: BNEWMAN:TLEDDY
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750104-0520
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750316/aaaaaonw.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: LIMDIS
Reference: 75 KINSHASA 2088
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2003 by ShawDG>; APPROVED <20 OCT 2003 by KelleyW0>
Review Markings:

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US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US POSITION ON IMF OIL FACILITY
TAGS: EFIN, CG, IMF
To: KINSHASA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006